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Annual review of the financial situation, 2003*

Report of the Administrator

Summary

UNDP continued to be a multi-funded organization and witnessed a consistent growth in resources contributions over the past four years, from $2.4 billion in 2000 to $3.2 billion in 2003. It is noteworthy that UNDP was able to maintain the upward trend in its regular resources for the third consecutive year, with regular resource contributions amounting to $770 million. Total regular and other donor resources registered a growth of 11 per cent, rising to $2.05 billion in 2003. The ratio of other donor resources (cost-sharing, management services agreements (MSAs) and trust funds) to aggregate income remains stable at 37 per cent. Between 2002 and 2003, donor cost-sharing increased by 46 per cent, from $245 million to $357 million; and trust funds by 6 per cent, from $711 million to $751 million. However, MSAs decreased by 45 per cent, from $145 million to $80 million. Local resources provided by programme countries continued to represent a significant portion of total income received (33 per cent), reflecting continued political will and support for UNDP by partner countries.

It should be noted that regular and other resources are not interchangeable, and that regular resources constitute the bedrock of UNDP. Therefore, the goal of ensuring that the regular resource base remains on a path of sustainable growth to meet agreed targets remains a top priority. The ability of UNDP to fulfil its mandate and to play a catalytic role in the mobilization of other resources depends fundamentally on its having an adequate, secure regular funding base that guarantees its multilateral, impartial and universal character. While progress has been made towards achieving a stable and adequate resource level, achievement of the regular resource targets that the Board approved in the 2004-2007 multi-year funding framework (MYFF) will require additional and sustained efforts on the part of Member States.

Elements of a decision

The Executive Board may wish to: (a) take note of documents DP/2004/34 and DP/2004/34/Add.1; (b) reiterate, as stated in its decision 2004/14, the encouragement that all Member States in a position to do so to increase regular resources funding so as to rebuild the regular resource base of UNDP; and (c) recognize that the predictability of funding is as important as the amount, since the timeliness of contribution payments is essential to avoid liquidity constraints.

* The collection of data required to present the Executive Board with the most current information has delayed submission of the present document.

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I. Introduction

1. The present report provides an overview of the financial position of UNDP at the end of 2003 and the comparative figures for the year 2002. The report contains analyses of the activities of UNDP at the aggregate level, followed in order by analyses of the financial situation of regular resources, other resources and the funds established by the General Assembly. An overview of the overall aggregates is shown in the annex to the present document. All tables in the narrative provide summary information of detailed data that can be found in the statistical addendum DP/2004/34/Add.1 to the present document.

II. UNDP overall

2. The present chapter presents the financial picture reflective of UNDP operational activities at the aggregate level and the resultant unexpended balances. In addition, table 1 of the addendum continues with a summary of all activities undertaken by UNDP. Although the data are broken down by type of activity, the figures have been aggregated to facilitate an overview of the overall financial position of UNDP.

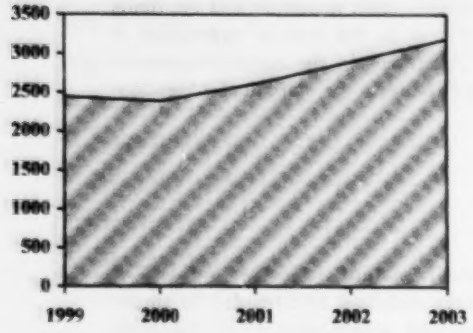
3. UNDP received a total contribution, net of interest and other income, of $3.2 billion in 2003 (including regular resources, other resources and funds), the highest level ever, up by 10 per cent from the 2002 level of $2.9 billion. Regular resources income increased by 15 per cent (from $670 million in 2002 to $770 million in 2003), continuing the upward trend that began in 2001. Other resources income rose by 8 per cent (from $2.2 billion in 2002 to $2.3 billion in 2003). Local resources (programme countries cost-sharing contributions) also increased by a rate of 8 per cent, from $1.0 billion in 2002 to $1.1 billion in 2003.

4. Total donor resources (including regular donor and other donor resources, trust funds and MSAs) registered a growth of 11 per cent, rising to $2.05 billion in 2003. Other resources represented an important complement to the regular resource base of UNDP, permitting the strengthening of existing programmes and fostering partnerships with a range of actors, including the European Commission, regional development banks, the World Bank and the private sector.

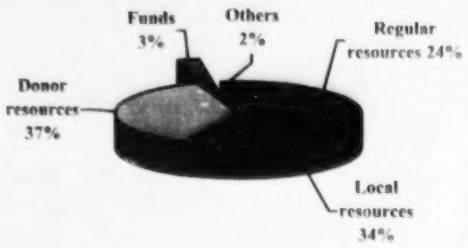
5. The thematic trust fund (TTF) instrument, introduced in late 2001, was designed as a flexible, agile co-financing modality to support development work that cannot be funded from regular resources or from other multilateral or bilateral sources. Since 2001, the number of donors contributing to the seven thematic trust funds (democratic governance, poverty reduction, information and communication technology, energy for sustainable development, HIV/AIDS, and crisis prevention and recovery) has increased progressively – eight donors in 2001, 10 donors in 2002 and 21 donors in 2003.

Figure 1. Overall contributions: five-year trend and 2003 composition

a. Five-year trend (1999-2003)



b. 2003 Composition ($3.2 billion dollars)



6. The MYFF has continued to provide the key framework for securing policy coherence in the country-driven demand climate of UNDP support, regardless of funding source. Within this framework, other donor resources (including donor cost-sharing, trust funds and MSAs) have increased, particularly in the past six years. Continuing the growth trend started in 1999 ($2.4 billion), overall contributions have reached $3.2 billion mark. Contributions other than regular resources surpassed $2.3 billion, representing 72 per cent of total receipts in 2003. The highest increase in receipts for other resources was the 46 per cent increase in donor cost-sharing contributions.

7. Total contributions to the regular resources received during 2003, before the transfer to biennial support budget, increased by 15 per cent over the prior year, from $670 million to $770 million, as a result of renewed donor support and a weaker dollar. As in the past, regular resources are received primarily from donors members of the Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development (OECD). Percentage shares and contributions of the top 15 OECD/DAC donors for selected UNDP activities are shown in table 1.

Figure 2. Overall contributions[1]: five-year trend by type of resources

(millions of United States dollars)

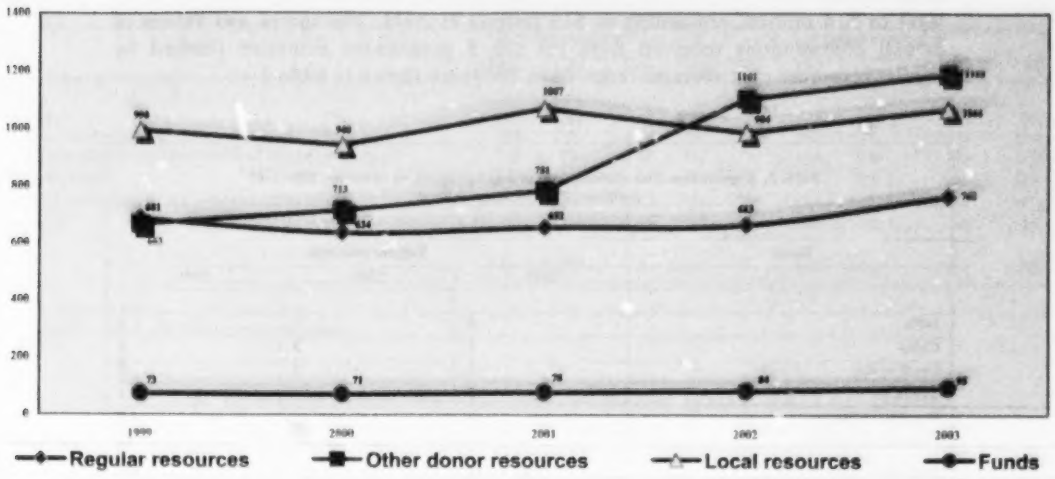


Table 1. Top 15 OECD/DAC donors, ranked according to regular resources contributions in 2003 [a]

(millions of United States dollars)

Donor	Regular resources	Trust funds, donor cost-sharing and MSAs	Funds
United States [b]	104	90	2
Norway	92	57	9
Japan	87	87	4
Netherlands	86	45	13
Sweden	62	43	8
United Kingdom	60	88	8
Denmark	55	15	5
Switzerland	39	9	1
Canada	38	30	2
Germany	28	13	3
France	18	3	2
Italy	16	44	4
Finland	15	4	1
Ireland	14	3	2
Belgium	13	6	6
Total of top 15 OECD/DAC donors	**727**	**537**	**70**
Total resources	**762**	**1 188**	**95**
Percentage of total resources	**95%**	**45%**	**74%**

Source: Table 6 and 7, DP/2004/34/Add.1

a Ranked on the basis of regular resources contributions received in 2003. b Includes taxes.

[1] Net contributions, after transfer to biennial support budget.

8. Programme countries continued to participate in UNDP activities, mainly in terms of regular resources and local resources contributions. Regular resource contributions from programme countries began to be built back up from the 2002 level of $14 million, amounting to $19 million in 2003. The shares and values of overall contributions received from the top 5 programme countries (ranked by regular resources contributions received in 2003) are shown in table 2.

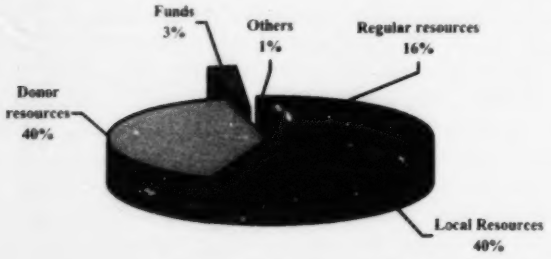
Table 2. Regular resources contributions of Top 5 programme countries, 2001-2003 [a]
(millions of United States dollars)

Donor	Regular resources		
	2003	2002	2001
India	5	5	4
China	3	3	3
Saudi Arabia	2	2	2
Thailand	2	-	1
Republic of Korea	1	-	2
Total of top 5 donors	13	10	12
Total resources	762	663	652
Percentage of total resources	2%	2%	2%
Source: Table 6 and 8, DP/2004/34/Add.1			

[a] Ranked on the basis of regular resources contributions received in 2003.
Source: DP/2004/34/Add.1, tables 5 and 8

9. The aggregate programme expenditure (including funds – $73 million) increased to $2.6 billion, representing a 10 per cent growth from the previous year. Of the total 2003 expenditure, $2.2 billion (84 per cent) pertained to other resources, including funds, while 16 per cent ($404 million, inclusive of $6 million for the support to resident coordinator system) was financed from regular resources.

Figure 3. Overall programme expenditure, 2003



Total - $2.6 billion

10. In terms of regional coverage, 2003 had a similar distribution pattern in delivery (including programme support to the resident coordinator system) to that of 2002, as reflected in table 3 below.

Table 3. Regional distribution of programme expenditure, 2003-2002
(millions of United States dollars)

	Regular resources				Other resources			
	2003	%	2002	%	2003	%	2002	%
Africa	175	43%	152	42%	184	9%	165	9%
Asia and the Pacific	109	27%	116	32%	301	14%	234	12%
Europe and the Commonwealth of Independent States	30	7%	24	7%	146	7%	127	7%
Arab States [a]	29	7%	25	7%	268	13%	252	13%
Latin America and the Caribbean	21	5%	18	5%	1 054	50%	1 061	56%
Others [b]	40	11%	28	7%	141	7%	48	3%
	404	100%	363	100%	2 094	100%	1 887	100%

[a] Includes PAPP.
[b] Includes global and interregional programme.

11. The percentage share for execution modalities breaks down as follows: national execution, the preferred modality, represents 66 per cent of the overall UNDP figure, followed by direct execution, 18 per cent, UNOPS, 10 per cent and other agencies, including the 'big five', 5 per cent (see table 4). The growth of direct execution has been mainly in crisis countries and in 2003 this represents 70 per cent of the total direct execution delivery.

Table 4. Distribution of programme expenditure by execution modality: UNDP overall, 2003-2002
(millions of United States dollars)

	Regular resources and other resources (excluding funds)			
Executing agency	2003	%	2002	%
National execution	1 656	66%	1 519	68%
UNOPS	244	10%	246	11%
"Big five" organizations [a]	55	2%	47	2%
Other agencies	71	3%	60	3%
Direct execution (UNDP)	440	18%	348	15%
NGOs	32	1%	30	1%
Total [b]	2 498	100%	2 250	100%

[a] DESA, FAO, ILO, UNESCO and UNIDO.
[b] Expenditures in LDCs were: $174 million in 2003; $149 million in 2002 and $165 million in 2001

12. In accordance with UNDP financial regulations and rules, other resources pledged by donors and local programme countries should be paid in advance of project commitments. As of the end of 2003, the overall balance of unexpended

resources was $2.1 billion. The balance of regular resources at the end of 2003, net of reserve for after-service health insurance, was $154 million. This represents 7 per cent of the overall balance. An accounting accrual of $27 million was made in 2003 for after-service health insurance benefits. The balance of other resources increased to $1.8 billion, although its percentage share to the balance of all sources decreased to 87 per cent (91 per cent in 2002). The balances of unexpended resources for the funds totalled $117 million ($98 million in 2002), representing 6 per cent of the overall balance.

13. In 2003, as part of the preparation for conversion from the integrated management information system to the Enterprise Resource Planning (ERP) system or Atlas, UNDP performed an intensive review of transactions recorded in its multiple existing systems. As a result of that review, $9.0 million was written off or provided against after ensuring full compliance with the financial regulations and rules. In addition, $1.5 million was provided against to reflect overvaluation of cash held in nonconvertible currencies.

Financial regulations and rules

14. Taking into consideration the simplification and harmonization of programme procedures and cycles, the Executive Board advised the Administrator to review and update the financial regulations and rules accordingly. Implementation of the Atlas system has also necessitated a review of the financial regulations and rules. That review process started in January 2004 with the other Executive Committee agencies. Substantial progress has been made, and the harmonized financial regulations and rules will be presented to the Board in January 2005.

III. Regular resources

15. Activities funded by regular resources are shown in tables 5, 6, 7 and 8. The present chapter first examines income and expenditure and then focuses on the balance of unexpended resources. Compared to 2002, total 2003 income, inclusive of interest income and other income, increased by 19 per cent to $824 million, and total 2003 expenditure increased by 12 per cent to $745 million. The available resource balance, exclusive of operational reserves, has increased to $154 million in 2003 (see table 5). If the reserves for after-service health insurance ($108 million in 2003 and $81 million in 2002) are taken into consideration, the increase in regular resource balance will be $98 million (60 per cent).

A. Income

16. Contributions to regular resources received during 2003, before the transfer to the biennial support budget, totalled $770 million. Net contributions of $762 million were mobilized in regular resources (exclusive of interest and other income) in 2003, a growth of 15 per cent over the regular resource contributions recorded in 2002. The growth rate of contributions from the top 15 OECD/DAC donors was also 15 per cent, from $634 million in 2002 to $727 million in 2003. Non-programme countries contributed 99 per cent of total regular resources income. Contributions

from programme countries amounted to $19 million in 2003, an increase of 36 per cent over the 2002 level of $14 million.

Table 5. Income and expenditure for the years ended 31 December 2003 and 2002

(millions of United States dollars)

	Regular resources		Change between 2003 and 2002 (percentage)
Income	2003	2002	%
Net contributions	762.4	663.1	15.0
Interest and other income	61.6	29.6	-
Total income	824.0	692.7	19.0
Expenditure			
Programme	398.0	356.8	11.5
Biennial support budget: net	252.2	244.1	3.0
Programme support to resident coordinator	6.4	5.9	8.5
Development support services and UNDP economist programme	9.0	7.0	28.6
Other expenditure	79.6	52.2	52.5
Total expenditure	745.2	666.0	12.0
Excess/shortfall of income over total expenditure	78.8	26.7	-
Transfer from (to) reserves	(7.0)	2.5	-
Savings, refunds and other transfers	(1.3)	8.8	-
Balance of unexpended resources, 1 January	83.3	45.3	84.0
Balance of unexpended resources, 31 December	153.8	83.3	85.5
Operational reserve	142.0	147.0	(3.0)
Total months of expenditure [a]	4.8	4.1	

[a] This calculation represents the operational reserve plus balance of unexpended resources as a function of the average monthly expenditures of $62 million in 2003 and $56 million in 2002. The balance of $154 million in unexpended resources is equivalent to less than 3 months of expenditure.

Source: DP/2004/34/Add.1, table 1(a)

B. Expenditure

17. Total 2003 expenditure under regular resources increased by 12 per cent to $745 million. The increasingly dynamic environment in which UNDP operates resulted in fluctuations within each major expenditure category. Programme expenditure, including programme support to the resident coordinator system, increased by 11 per cent, from $363 million to $404 million (see table 5).

Biennial support budget

18. The net biennial support budget expenditure in 2003 ($252 million) increased by approximately 3 per cent compared to 2002 ($244 million). This increase was mainly attributable to (a) the salary increase for international professional staff effective January 2003, in accordance with General Assembly resolution 57/285 of 20 December 2002; and (b) the impact of inflation. Expenses were lower than in 2001 ($267 million), owing largely to budget cuts made in the 2002-2003 budget, as contained in DP/2001/21. By appropriation group, 59 per cent of the expenditure in 2003 went to programme support activities, 22 per cent to management and administration and 19 per cent to support operational activities of the United

Nations system. In total, 63 per cent of expenditure related to country offices, with the remaining 37 per cent attributed to headquarters locations, including the United Nations Volunteers programme (UNV) and the Inter-Agency Procurement Services Office (IAPSO).

Other expenditure

19. In comparison with 2002, other expenditure has increased by $28 million to $84 million in 2003. The increase is mainly due to a $10.2 million increase in write-offs and miscellaneous provisions, from $0.3 million in 2002 to $10.5 million in 2003 ($5 million in 2001).

20. An independent consulting actuary was engaged to carry out a valuation of post-retirement health insurance benefits as of 31 December 2003. On the basis of that study, the actuary estimated that as of 31 December 2003, the net liability for after-service health insurance benefits for all participants in UNDP was $341 million (see table 6). The present value of future benefits column shows the discounted value of all benefits, less retirement contributions to be paid in the future to all current retirees and active employees expected to retire. The accrued liability represents that portion of the present value of future benefits that has accrued from the staff members' date of entry on duty until the valuation date, 31 December 2003. Active staff members' benefits are considered fully accrued when the staff member reaches the date of full eligibility for benefits.

21. UNDP has made an accounting accrual of $27 million for the year ended 31 December 2003. This amount is over and above disbursements by UNDP for after-service health insurance, which are included as part of biennial support budget expenditure. The cumulative amount accrued as of 31 December 2003 is $108 million ($81 million at 31 December 2002). The actuarial valuation of the post-retirement health insurance benefits of UNDP and the United Nations Secretariat is carried jointly. UNDP will carry out future valuations with same frequency as the United Nations Secretariat.

Table 6. Estimated liability for after-service health insurance benefits as at 31 December 2003

(millions of United States dollars)

	Present value of future benefits	Accrued liability
Gross liability	422.0	327.1
Offset from retiree contribution	81.4	63.9
Net liability	340.6	263.2

Source: UNDP financial statements

C. Balance of unexpended resources

22. The availability of the balance of unexpended resources depends on the degree of liquidity of net assets. Cash and investments are the main liquid assets of UNDP. Other assets, net of liabilities, supplement investments to form the balance of unexpended resources. Other assets include advances to country offices and to other United Nations organizations. On the liability side, unliquidated obligations and other payables represent expenditures that have been incurred but not yet disbursed.

23. At the end of 2003, UNDP held cash and investments for regular resources of $282 million, excluding the operational reserve. Based on total expenditure of $745 million during the year, the UNDP liquidity position at the end of 2003 represented expenditure for approximately four and a half months of working capital. UNDP did not draw from its operational reserve in 2003. A prudent level of liquidity for UNDP regular resources would be the equivalent of expenditure for three to six months of expenditure levels.

Table 7. Movement of liquid resources, 2003 and 2002

(millions of United States dollars)

	2003	2002
Opening balance, 1 January		
Cash and investments	149.8	126.5
Income	824.0	692.7
Expenditure	(745.2)	(666.0)
Savings on obligations from prior biennium	-	8.8
Transfer from/to reserves and other transfers	(8.3)	2.5
Subtotal	70.5	38.0
Net change in advances made to Governments, executing agents and expenditures incurred but not yet disbursed	61.5	(14.7)
Closing balance, 31 December [a]		
Cash and investments	281.8	149.8

[a] This balance of liquid assets is additional to investments held for the operational reserve ($142 million in 2003, $147 million in 2002).

Source: DP/2004/34/Add.1, table 1(a, b).

24. The $154 million balance of unexpended resources shown in table 8 represents the pool of resources available to finance UNDP activities funded by regular resources. At the current level of $154 million, that balance represents the equivalent of less than three months' expenditure for the organization.

Table 8. Movement in the balance of unexpended resources, 2003 and 2002

(millions of United States dollars)

	2003	2002
Balance as at 1 January	83.3	45.3
Total income	824.0	692.7
Total expenditure (including support costs and other expenditure)	(745.2)	(666.0)
Savings on obligations from prior biennium	-	8.8
Transfer from/to reserves and other transfers	(8.3)	2.5
Balance as at 31 December	153.8	83.3

Source: DP/2004/34/Add.1, table 1(a)

25. In accordance with Executive Board decision 99/9, the formula for the calculation of the level of the UNDP regular resources operational reserve was amended on the basis of documents DP/1999/5/Rev.1 and DP/1999/CRP.9/Rev.1. Based on the final income and expenditure data for 2003, the operational reserve will be adjusted upwards, from $142 million to $153 million, and the resulting $11 million will be transferred from the general resources of UNDP.

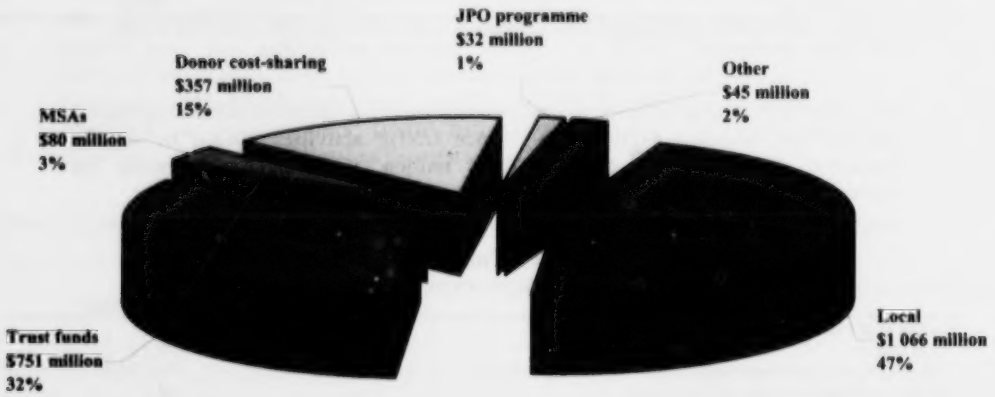
IV. Other resources

26. Components in the other resources category include local resources received from programme countries, donor cost-sharing, trust funds, management services agreements, the Junior Professional Officers (JPO) programme and the reserve for field accommodation (RFA). Overall income of other resources increased by $178 million, from $2.2 billion in 2002 to $2.3 billion in 2003. Other resources contributions, net of interest and other income, received in 2003 totalled $2.3 billion, of which 46 per cent – $1.07 billion – accounted for local resources (46 per cent in 2002 and 57 per cent in 2001). Growth in contributions provided by OECD/DAC countries was 13 per cent, from $496 million in 2002 to $561 million in 2003. Overall expenditure also increased by 12 per cent ($241 million).

27. Recent trends have shown a significant increase in other resource contributions. Other donor resources (including donor cost-sharing, MSAs and trust funds) registered a marked increase, particularly during the last six years: from $495 million in 1997 to $1 188 million in 2003. The following analysis looks separately at each of the main components: local resources; other donor resources (donor cost-sharing, trust funds and MSAs); the JPO programme, and others.

Figure 4. Contribution/income – other resources, 2003

(millions of United States dollars)

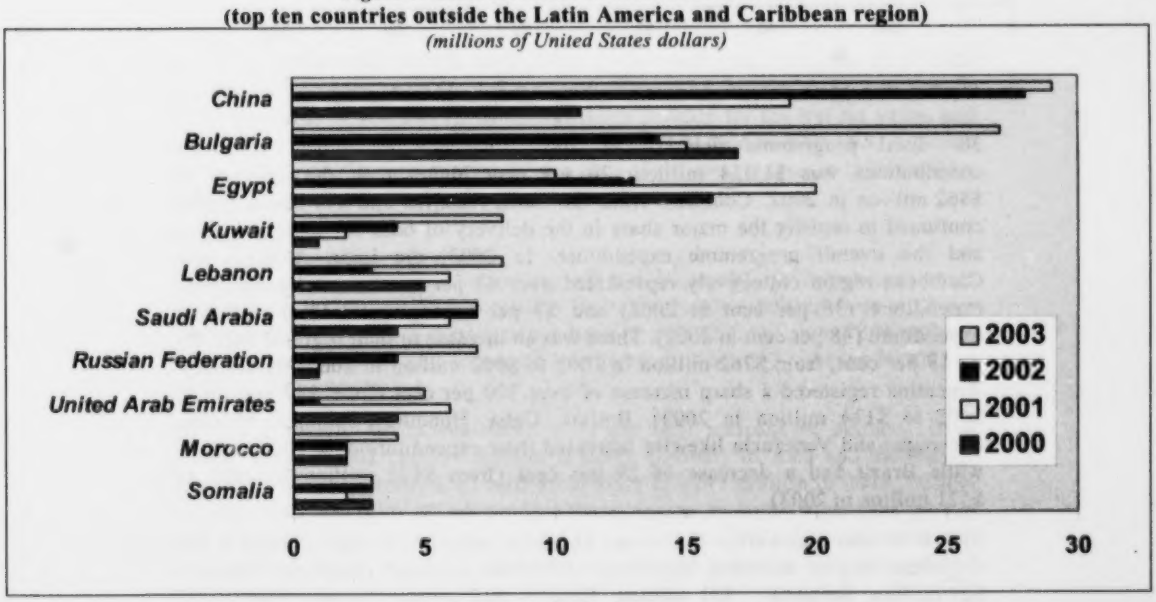


A. Local resources

Income

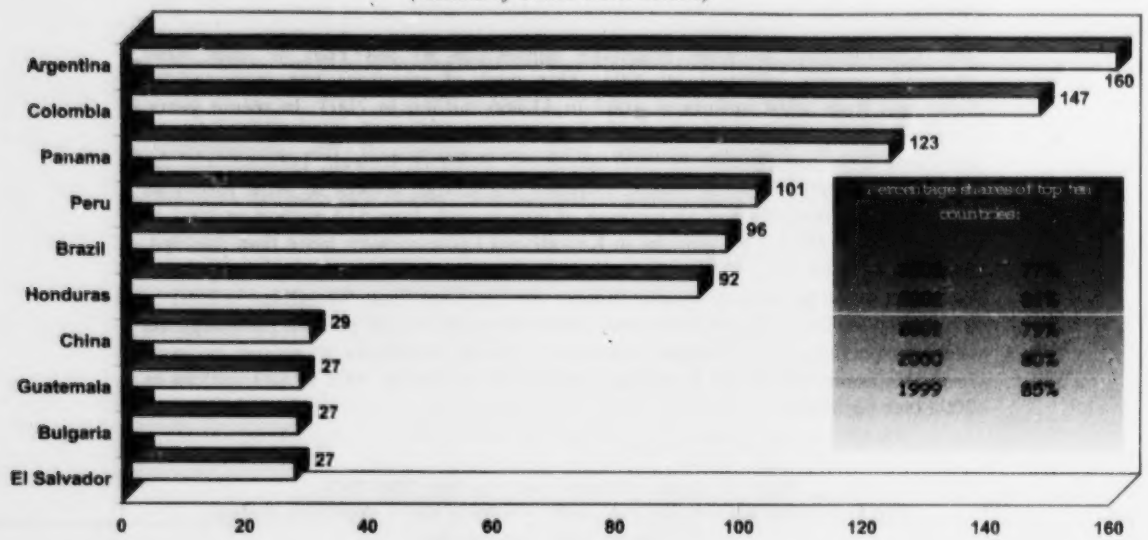
28. Contributions to local resources represented 47 per cent of total other resources income received in 2003. This pool of resources has increased by 8 per cent from $984 million in 2002 to $1 066 million in 2003. In recent years, countries from various regions other than Latin America and the Caribbean, increased their participation in local resources. Bulgaria, Kuwait, Lebanon and the Russian Federation, among others, recorded substantial growth in local resources contributions. Bulgaria had an increase of 94 per cent, from $14 million in 2002 to $27 million in 2003. The growths in Kuwait and Lebanon were more than doubled, from $3 million in 2002 to $8 million in 2003. The Russian Federation also increased by 84 per cent in local resources contributions, from $4 million in 2002 to $7 million in 2003. Egypt decreased its contributions by 24 per cent, although its share of participation remained significant. China marginally increased its local resources contributions by 3 per cent, from $28 million in 2002 to $29 million in 2003 (see figure 5).

Figure 5. Local resources contributions 2000-2003
(top ten countries outside the Latin America and Caribbean region)
(millions of United States dollars)



29. About 77 per cent of local resources contributions came from the Governments of 10 programme countries (see figure 6). Among the top ten countries, Argentina registers the highest increase in local resources of over 100 per cent from $74 million to $160 million. Columbia showed a decline of $7 million, 5 per cent, from $154 million in 2002 to $147 million in 2003.

Figure 6. Local resources contributions, 2003
(top ten countries, all regions)
(millions of United States dollars)

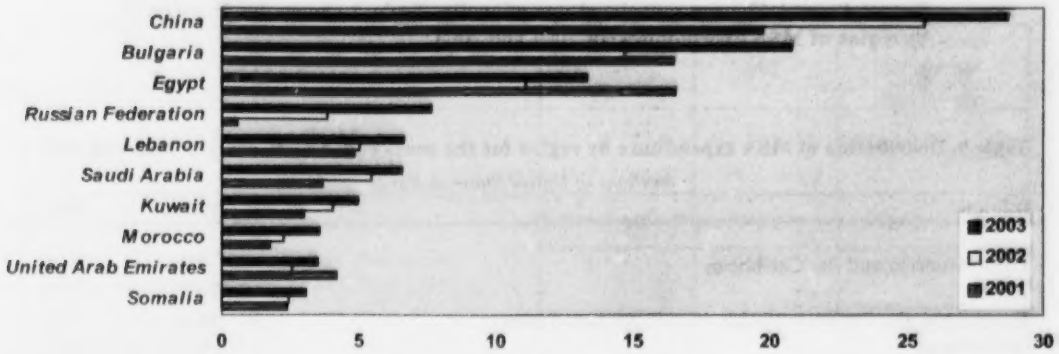


Expenditure

30. Total programme delivery in 2003 financed from local resources contributions was $1 034 million, 20 per cent higher than the delivery of $862 million in 2002. Countries from the Latin America and Caribbean region continued to register the major share in the delivery of both the local resources and the overall programme expenditure. In 2003, the Latin America and Caribbean region collectively represented over 42 per cent of total programme expenditure (38 per cent in 2002) and 87 per cent of total local resources expenditure (88 per cent in 2002). There was an increase in their regional delivery by 18 per cent, from $762 million in 2002 to $902 million in 2003. By country, Argentina registered a sharp increase of over 100 per cent (from $57 million in 2002 to $134 million in 2003). Bolivia, Cuba, Honduras, Jamaica, Mexico, Nicaragua and Venezuela likewise increased their expenditure over 100 per cent, while Brazil had a decrease of 29 per cent (from $171 million in 2002 to $121 million in 2003).

31. It is also noteworthy that seven countries outside the Latin America and Caribbean region recorded significant deliveries in local resources: China – $29 million; Bulgaria – $21 million; Egypt – $13 million; Saudi Arabia – $7 million; Lebanon – $7 million; the Russian Federation – $8 million; and Kuwait – $5 million. Among these countries, the Russian Federation doubled its delivery from $4 million to $8 million; Bulgaria increased by 40 per cent, from $15 million to $21 million; and China by 16 per cent, from $25 million to $29 million (see figure 7).

Figure 7. Local resources expenditure 2001-2003
(top ten countries outside the Latin America and Caribbean region)
(millions of United States dollars)



B. Other donor resources

Income

32. Continuing their growth trend, other donor resources, including trust funds and MSAs, recorded growth of 8 per cent, from $1.1 billion to $1.2 billion in 2003. This pool of resources has been growing steadily for the last six years, and has grown over 100 per cent since 1996 (from $559 million in 1996 to $1.2 billion by the end of 2003), representing 37 per cent of the total resources mobilized by UNDP.

Expenditure

33. Total other donor resources expenditure increased by 3 per cent from $990 million in 2002 to $1 016 million in 2003, mainly resulting from a 12 per cent growth in donor cost-sharing expenditure, from $272 million to $304 million. Trust funds expenditure also increased by 4 per cent, from $579 million in 2002 to $601 million in 2003.

34. As a region, Africa registered a 34 per cent increase in delivery, from $110 million in 2002 to $147 million in 2003. Delivery in Asia and the Pacific rose by 11 per cent, from $221 million in 2002 to $245 million in 2003. Europe and the Commonwealth of Independent States region showed 15 per cent growth with a delivery of $100 million (against $87 million in 2002). Latin America and the Caribbean region and the Arab States experienced decreases by 8 per cent and 9 per cent respectively.

C. Management services agreements

35. In 2003, donors contributed $80 million towards MSA activities, down by $65 million from $145 million in 2002. Total income available for programme activity under MSAs in 2003, including interest income, amounted to $82 million,

down by 45 per cent in comparison to $150 million in 2002. As of 31 December 2003, there were 118 active MSAs, all executed by UNOPS, on which $111 million was spent, or $28 million less in comparison to 2002. During the year under review, seven new projects were implemented, 77 were completed financially and 43 were completed operationally. Table 7 shows the distribution by region of MSA expenditures for 2002 and 2003.

Table 9. Distribution of MSA expenditure by region for the years ended 31 December 2003 and 2002

(millions of United States dollars)

Region	2003	2002
Latin America and the Caribbean	37.1	31.8
Africa	30.2	42.3
Europe and the Commonwealth of Independent States	16.4	20.2
Arab States	0.4	0.3
Asia and the Pacific	22.0	33.0
Global and interregional	4.6	10.9
Total	110.7	138.5

Source: UNOPS

D. The Junior Professional Officer programme

36. A total of 21 governments and one inter-governmental organization have valid agreements with UNDP for the provision of JPOs. All member states actively sponsored JPOs during 2003. As of 31 December 2003, UNDP administered 289 JPOs and six special assistants to the resident coordinator (SARCs) compared to 258 JPOS and no SARCs as at 31 December 2002. The combined number of UNDP JPOs and SARCs as of 31 December 2003 was 295, an increase of 37 compared to the situation that obtained on 31 December 2002. 33 of these UNDP JPOs or SARCs served in New York and other headquarters locations, the same percentage as in 2002. The numbers of JPOs administered on behalf of UNFPA and UNOPS were 47 and 10 respectively.

37. UNDP received a total of $32.3 million in contributions to the JPO programme in 2003, an increase of 27.7 per cent over the $25.3 million received in 2002 (and $22.1 million in 2001).

38. The total expenditure incurred during 2003 was $25.1 million. Although this reflects an overall decrease of 6.7 per cent from the $26.9 million spent in 2002, the actual figure represents a slight increase taking into consideration that (a) this figure represents mainly UNDP JPO-related expenditure and excludes a significant number of UNFPA JPOs; and (b) the 2003 financial year is still not closed at this stage. This real-terms increase is also reflected in the higher figure ($2.9 million) in support costs generated in 2003, compared to $2.65 million in 2002. The resource balance available at the end of 2003 was $9.07 million, compared to $3.6 million in 2002 and $4.2 million in 2001.

E. Reserve for field accommodation

Table 10. Income and expenditure for the years ended 31 December 2003 and 2002

(millions of United States dollars)

	2003	2002	Change between 2003 and 2002 (percentage)
Income			
Rental income	1.1	1.3	(15.4)
Other income-net	0.1	0.9	-
Total income	1.2	2.2	(45.5)
Expenditure			
Repairs and maintenance	0.6	0.4	50.0
Other	-	0.9	-
Total expenditure	0.6	1.3	(53.8)
Operating surplus	0.6	0.9	(33.3)
Cumulative surplus (deficit), 1 January	(3.6)	(4.2)	14.3
Cumulative deficit, 31 December	(3.0)	(3.3)	(9.0)

Source: DP/2004/34/Add.1, table 13

39. In line with Executive Board decision 96/40 of September 1996, which mandated that wherever possible UNDP should dispose of housing properties, UNDP continues to identify such assets for disposal. However, none were disposed of in 2003 as a result of unfavourable real estate market conditions in the countries under review.

40. The aggregate summary of the RFA accounts is shown in table 10. Table 12 of the addendum (DP/2004/34/Add.1) shows the RFA financial statements. The total housing assets as at 31 December 2003 were $16.3 million, an increase from $15.3 million at 31 December 2002. The figure for office premises building assets as at 31 December 2003 was $26.6 million. The net amount due to UNDP regular resources decreased from $11.5 million at 31 December 2002 to $10.3 million at 31 December 2003. This was because the cumulative deficit in reserve had decreased from minus $4.2 million to minus $3.6 million and there was a continued recovery in the values of assets such as construction costs.

V. Funds administered by UNDP

41. Table 5(a) in the addendum to the present report (DP/2004/34/Add.1) provides detailed data for the five funds administered by UNDP, two of which – the United Nations Revolving Fund for Natural Resources Exploration (UNRFNRE) and United Nations Financing System for Science and Technology for Development (UNFSSTD) were closed in 2003. The results of activities undertaken in 2003 are outlined in this section.

A. The United Nations Capital Development Fund

42. Total contributions for UNCDF regular resources increased by $4.7 million, or 21 per cent, bringing the total amount received in 2003 to $26.9 million from

$22.2 million in 2002. This increase resulted mainly from the fluctuation of the dollar against the euro, and the increased contribution of one donor. Contributions to trust fund and cost sharing registered an increase more than double, at $10.74 million in 2003 compared to $3.4 million in 2002.

43. In a follow-up to decision 99/22, UNCDF carried out in 2003 an independent evaluation of impact (DP/2004/18) of the programmes and activities on which it reported to the Board at the annual session 2004. The independent evaluation found the Fund to be an effective organization that had successfully aligned its programmes and activities with its policies. It concluded that Fund operations had contributed to significant results through both microfinance and local governance programmes in poverty reduction, policy impact, and replication of its projects by donors. UNCDF areas of expertise were found to be very much in demand in least-developed countries and to respond to the Millennium Development Goals as well as to country needs. However, the independent evaluation also found that the effectiveness of the UNCDF business model required a stable, sustained level of donor funding that has not been achievable in the current environment. An urgent revision of the UNCDF business model was recommended to ensure financial viability.

44. In 2003, overall expenditure decreased by $3.7 million, from $24.8 million in 2002 to $21.1 million in 2003. Expenditure against regular resources declined to $16.3 million, from $22.5 million in 2002. Although regular resources programme expenditures declined by $6.2 million, or 28 per cent, other resources expenditures increased by $2.6 million, or over 100 per cent, from $2.2 million in 2002 to $4.8 million in 2003.

45. Unexpended resources at the end of 2003 totalled $64.5 million, including an operational reserve of $22.6 million that had decreased by $10.4 million from $33 million in 2002. The current level of the balance of unexpended resources, including the operational reserve, represents 26 months' expenditure.

B. The United Nations Development Fund for Women

46. In its decision 2000/7, the Executive Board approved the UNIFEM strategy and business plan for the period 2000-2003. UNIFEM continued working in 2003 to fulfil its mandate by focusing on the three thematic areas and five core strategies identified in the plan, which support an innovative, catalytic approach to women's empowerment and gender equality.

47. Regular resources contributions increased from $20.1 million to $21.7 million. Total contributions to UNIFEM decreased slightly by $0.6 million, or 1.7 per cent, from $34.6 million in 2002 to $34 million in 2003. Cost-sharing and trust funds contributions decreased from $14.5 million to $12.3 million in 2003. In 2002, cost-sharing and trust funds contributions grew significantly in response to the crisis in Afghanistan.

48. Overall programme expenditure, including support costs paid to implementing agents, decreased by $2.2 million, or 7.5 per cent, from $29.2 million in 2002 to $27.0 million in 2003. Regular resources programme expenditure decreased by $4.0 million, or 20.8 per cent, from $19.3 million in 2002 to $15.3 million in 2003, due mainly to uncertainties in the forthcoming amount of core support. The delivery of cost sharing and sub-trust funds registered a $1.8 million increase, or 18 per cent, from $9.9 million in 2002 to $11.7 million in 2003.

49. Unexpended resources at 31 December 2003 totalled $25.1 million, an increase of $0.8 million over the $24.3 million total at 31 December 2002. These resources, together with contributions receivable of $4.5 million, cover the unspent project budgets of $27.6 million for 2004 and future years. The level of the operational reserve was reviewed, in accordance with Executive Board decision 97/4 of January 1997, and was increased by $0.7 million to a balance of $8.1 million at the end of 2003.

50. Moving forward, in its decision 2004/7 (DP/2004/5), the Executive Board approved the UNIFEM MYFF for the period 2004-2007 in its decision 2004/10. The MYFF provides strategic policy and management direction to increase development effectiveness, strengthen strategic partnerships and mobilize resources for the next four years. The MYFF contains a strategic results framework that highlights four key goals to which all UNIFEM programmes will contribute: (a) reducing feminized poverty and exclusion; (b) ending violence against women; (c) halting and reversing the spread of HIV/AIDS among women and girls; and (d) achieving gender equality in democratic governance in times of peace as well as in recovery from war. To achieve these goals, the UNIFEM Consultative Committee at its 44th Session encouraged current and future donors to devote a greater share of their contributions to UNIFEM regular resources and make commitments to multi-year funding.

C. United Nations Volunteers

51. The year 2003 marked the seventh successive year of growth of the Programme with some 5 635 volunteers – representing 162 nationalities – carrying out 5 832 assignments in 144 countries. The total financial magnitude of all activities amounted to $114 million. Of this, some 20 per cent was covered from contributions that are made to UNV directly (Special Voluntary Fund, cost sharing, trust funds, full funding arrangements and direct contributions relating to United Nations peace keeping activities). The remaining 80 per cent was covered by direct charges to United Nations programmes and other United Nations organizations, including UNDP.

52. Table 10 provides an overview of income relating to the Special Voluntary Fund, cost sharing, trust funds, full funding arrangements and United Nations peacekeeping activities. Total 2003 income remained more or less at the 2002 level. The slight decrease is mainly attributed to cost-sharing income, which decreased from $2.6 million in 2002 to $1.4 million in 2003.

Table 11. Contributions for 2003 and 2002[a]

(millions of United States dollars)

Source of fund	2003	2002
Special Voluntary Fund	4.6	4.4
Cost-sharing	1.4	2.6
Trust funds	4.2	4.5
Fully funded arrangements	4.9	4.2
United Nations peace-keeping operations	8.4	8.0
Total	**23.5**	**23.7**

[a] Excludes resources relating to activities financed directly by the United Nations itself and United Nations agencies, funds and programmes, including UNDP ($91.5 million)

Source: UNV

53. Total programme expenditure in 2003 covered by direct contributions decreased slightly compared to 2002. The $1.7 million decrease under United Nations peacekeeping operations of was attributable mainly to prior-year adjustments of $1.5 million recorded in 2002.

Table 12. Programme expenditure for 2003 and 2002 [b/]

(millions of United States dollars)

Source of funds	2003	2002
Special Voluntary Fund	7.4	7.3
Cost sharing	1.5	1.2
Trust funds	4.5	5.2
Fully funded arrangements	5.1	4.4
United Nations peacekeeping operations	3.3	5.0
Total	**21.8**	**23.1**

b/ Excludes financial equivalent of UNV activities financed directly by the United Nations and its agencies, funds and programmes, including UNDP. ($92.2 million)

Source: UNV

54. The Executive Board approved, in its decision 98/13, the creation of a reserve with initial funding of $0.9 million to cover medical evacuation and security-related costs. The opening balance of the reserve as at 1 January 2003 was $1.4 million. In 2003, the reserve was replenished with $0.2 million from provisions made in the pro forma cost of volunteers. Disbursements from the reserve in 2003 were $0.2 million for medical evacuation purposes and $0.2 million for security evacuation purposes. The balance at 31 December 2003 was therefore $1.2 million. The Administrator believes that maintaining the current balance is fully justified in view of the fact that costs in respect of field and inter-agency security measures are projected to increase.

Annex 1
UNDP overview

Table 13a. Statement of income and expenditure for the year ended 31 December 2003, with comparative figures for 2002
(thousands of United States dollars)

	Regular resources			Other resources			Funds			Total		
	2003	2002	+/-	2003	2002	+/-	2003	2002	+/-	2002	2002	+/-
Income												
Contributions	769 883	670 353	15%	2 331 086	2 153 644	8%	95 259	84 213	13%	3 196 228	2 908 210	10%
Transfer to biennial support budget	(7 472)	(7 215)	4%	-	-	-	-	-	-	(7 472)	(7 215)	4%
Net contributions	762 411	663 138	15%	2 331 086	2 153 644	8%	95 259	84 213	13%	3 188 756	2 900 995	10%
Interest income	24 110	10 035	-	19 192	38 516	(50%)	2 223	2 140	4%	45 525	50 691	(10%)
Other income: net	37 470	19 612	91%	144 479	61 186	-	12 272	8 667	42%	194 221	89 465	-
Total income	823 991	692 785	19%	2 494 757	2 253 346	11%	109 754	95 020	16%	3 428 502	3 041 151	13%
Expenditure												
Programme	378 052	337 838	12%	2 079 614	1 877 083	11%	69 892	77 004	(9%)	2 527 558	2 291 925	10%
Programmes support – implementing agents	19 862	18 951	5%	3 596	3 115	15%	3 636	4 053	(10%)	27 094	26 119	4%
Programmes support to resident coordinator	6 427	5 883	9%	10 457	6 815	53%	-	-	-	16 884	12 698	33%
Development support services	4 540	3 290	38%	-	-	-	-	-	-	4 540	3 290	38%
UNDP economist programme	4 427	3 694	20%	-	-	-	-	-	-	4 427	3 694	20%
Biennial support budget: net[a/]	252 211	244 147	3%	195 331	161 947	21%	21 623	18 796	15%	469 165	424 890	10%
Other expenditure	79 644	52 212	52%	3 524	1 708	-	293	46	-	83 461	53 966	55%
Total expenditure	745 163	666 015	12%	2 292 522	2 050 668	12%	95 444	99 899	(4%)	3 133 129	2 816 582	11%
Excess (shortfall) of income over expenditure	78 828	26 770	-	202 235	202 678	-	14 310	(4 879)	-	295 373	224 569	32%
Savings on obligations of prior biennium	19	8 838	-	69	3 638	(98%)	52	23	-	140	12 499	(99%)
Transfers from (to) reserves	(7 015)	2 560	-	(2 040)	(1 360)	50%	10 400	5 000	-	1 345	6 200	(78%)
Refunds to donors and transfers from (to) from other funds	(1 368)	(70)	-	(37 539)	(14 820)	-	(5 059)	(1 956)	-	(43 966)	(16 846)	-
Balance of unexpended resources, 1 January	83 348	45 250	84%	1 680 500	1 490 364	13%	97 707	99 519	(2%)	1 861 555	1 635 133	14%
Balance of unexpended resources, 31 December	**153 812**	**83 348**	**85%**	**1 843 225**	**1 680 500**	**10%**	**117 410**	**97 707**	**20%**	**2 114 447**	**1 861 555**	**14%**

Source: Table 1(a), DP/2004/34/Add.1
[a] Includes country office administrative charge

Table 13b. Assets, liabilities and reserves and fund balances as of 31 December 2003, with comparative figures for 2002

(thousands of United States dollars)

	Regular resources			Other resources			Funds			Total		
	2003	2002	+/-	2003	2002	+/-	2003	2002	+/-	2003	2002	+/-
Assets												
Cash	-	32 791	-	36 820	15 428	-	480	915	(48%)	37 300	49 134	(24%)
Government letters of credit	-	-	-	105 517	47 799	-	-	-	-	105 517	47 799	-
Investments held for												
Operational reserve	142 000	146 960	(3%)	-	-	-	-	-	-	142 000	146 960	(3%)
Regular resources	281 817	117 031	-	215 954	183 810	17%	105 675	103 911	2%	603 446	404 752	49%
Other	1 601 520	1 547 612	3%	-	7 830	-	-	-	-	1 601 520	1 555 442	3%
Subtotal investments	2 025 337	1 811 603	12%	215 954	191 640	13%	105 675	103 911	2%	2 346 966	2 107 154	11%
Total cash, letters of credit and investments	2 025 337	1 844 394	10%	358 291	254 867	41%	106 155	104 826	1%	2 489 783	2 204 087	13%
Advances from governments and executing agencies	89 538	74 194	21%	172 094	175 641	(2%)	997	5 155	(81%)	262 629	254 990	3%
Accounts receivable and deferred charges	121 547	127 508	(5%)	1 683 874	1 592 187	6%	54 070	48 430	12%	1 859 491	1 768 125	5%
Accrued interest	12 923	10 960	18%	11 031	8 765	26%	1 046	716	46%	25 000	20 441	22%
Long-term accounts receivable	-	-	-	608	693	(12%)	-	-	-	608	693	(12%)
Special capitalized assets	1 570	1 570	-	34 301	34 312	-	-	-	-	35 871	35 882	-
Loans to governments	-	-	-	806	785	3%	105	539	(81%)	911	1 324	(31%)
Total assets	2 250 915	2 058 626	9%	2 261 005	2 067 250	9%	162 373	159 666	2%	4 674 293	4 285 542	9%
Liabilities												
Advances to governments and executing agencies	15 508	14 303	8%	67 793	66 260	2%	2 711	7 919	(66%)	86 012	88 482	(3%)
Unliquidated obligations	34 037	46 168	(26%)	95 650	129 320	(26%)	7 739	5 095	52%	137 426	180 583	(24%)
Accounts payable	89 791	73 750	22%	89 253	63 613	40%	2 617	6 621	(60%)	181 661	143 984	26%
Due to other resources	1 641 297	1 554 664	6%	64 434	29 600	-	-	-	-	1 705 731	1 584 264	8%
Other liabilities	172 900	137 863	25%	4 650	3 994	16%	1 198	1 924	(38%)	178 748	143 781	24%
Total liabilities	1 953 533	1 826 748	7%	321 780	292 787	10%	14 265	21 559	(34%)	2 289 578	2 141 094	7%
Reserves and fund balances												
Operational reserve	142 000	146 960	(3%)	68 000	65 960	3%	30 700	40 400	(24%)	240 700	253 320	(5%)
Endowment fund	-	-	-	3 000	3 000	-	-	-	-	3 000	3 000	-
RFA authorized level	-	-	-	25 000	25 000	-	-	-	-	25 000	25 000	-
Special capital resources	1 570	1 570	-	-	-	-	-	-	-	1 570	1 570	-
Balance of unexpended resources	153 812	83 348	85%	1 843 225	1 680 498	10%	117 408	97 707	20%	2 114 445	1 861 553	14%
Balance of unexpended resources and special capital resources	155 382	84 918	83%	1 843 225	1 680 498	10%	117 408	97 707	20%	2 116 015	1 863 123	14%
Total reserves and balance of unexpended resources	297 382	231 878	28%	1 939 225	1 774 463	9%	148 108	138 107	7%	2 384 715	2 144 448	11%

Annex 2

Definitions

Regular resources: the resources of UNDP that are commingled and untied. These include pledges of voluntary contributions, contributions from governmental, intergovernmental or non-governmental sources and related interest earnings and miscellaneous income.

Other resources: the resources of UNDP, other than regular resources, that are received for a specific programme purpose, consistent with the policies, aims and activities of UNDP and for the provision of management and other support services to third parties. Under this category fall cost sharing and trust funds established by the Administrator. For presentation purposes, MSAs, the reimbursable support services and other activities (the JPO programme and the RFA, among others) are included in the other resources grouping.

UNDP resources: the resources credited to the UNDP regular resources account or other resources account and, therefore, exclude resources credited to the UNDP funds account.

Biennial support budget: the budget of an organization covering programme support and management and administration of the organization.

Funds administered by UNDP: funds established by the General Assembly and administered by UNDP.

Programme support: expenditure incurred by organizational units (country offices and headquarters) whose primary functions are the development, formulation, delivery and evaluation of the programmes of the organization.

Management and administration: expenditure incurred by organizational units whose primary function is the maintenance of the identity, discretion and well-being of the organization.

Support to operational activities of the United Nations: four elements pertaining essentially to the activities funded by regular resources, namely, country office support, the United Nations Development Group, UNV and IAPSO.

Donor resources: regular resources and other donor resources, including donor cost sharing, trust funds and management services agreements.

Local resources: other resources received from programme countries.

Member States: development partners, including donors and programme countries, that participate in the UNDP programme.